

The Blackstone Group

February 28, 1997

Arthur Newman
Senior Managing Director

Mr. Santo J. Pittsman
Vice President and
Chief Financial Officer
MobileMedia Corporation
65 Challenger Road
Ridgefield Park, NJ 07660

Dear Santo:

This letter and exhibit hereto (the "Agreement") will confirm the understanding and agreement between MobileMedia Corporation and its subsidiaries (the "Company") and The Blackstone Group L.P. ("Blackstone") regarding the scope and terms of the retention of Blackstone as the Company's investment banker in connection with the Company's Chapter 11 proceedings and its reorganization before the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). It is understood that the retention of Blackstone and effectiveness of this Agreement is subject to the approval of the Bankruptcy Court.

1. Blackstone will perform the following two categories of service as the Company may request:

Financial Advisory Services

- (a) Blackstone will assist the Company in assessing the operating and financial strategies for each of the Company's operating units;
- (b) Blackstone will assist the Company and its other professionals in the preparation of a business plan and financial forecast;
- (c) Blackstone will provide advisory services as to all financial matters concerning the Company's obligations under the bankruptcy code relative to the prosecution of these Chapter 11 cases;
- (d) Blackstone will assist the Company and its other professionals in formulating and negotiating a plan of reorganization; and
- (e) Blackstone will render such other Financial Advisory Services as may be agreed upon by Blackstone and the Company in connection with the foregoing.

The Blackstone Group L.P.
345 Park Avenue
New York NY 10154
212 935 2626

Investment Banking Services

- (a) Blackstone will advise the Company in connection with a possible transaction (a "Transaction") or series or combination of Transactions, involving, directly or indirectly, any transfer for consideration of (i) the capital stock of the Company (other than (x) options, warrants or other securities issued to any officer, director, employee, consultant or existing stockholder or affiliate thereof and (y) securities issued pursuant to any existing agreement, instrument or commitment), or (ii) assets involving more than 35% of the business or assets of the Company;
 - (b) Blackstone will assist the Company in identifying potential buyers and investors who may have an interest in pursuing a Transaction with the Company;
 - (c) Blackstone will contact such interested parties as agreed to by the Company;
 - (d) Blackstone will develop, structure and negotiate Transaction proposals;
 - (e) Blackstone will testify in Bankruptcy Court in support of a Transaction; and
 - (f) Blackstone will render such other Investment Banking Services as may be agreed upon by Blackstone and the Company in connection with the foregoing.
2. (a) For the Financial Advisory Services provided by Blackstone, the Company shall pay Blackstone a monthly cash advisory fee of \$125,000 commencing on the date of the filing of the Chapter 11 petition. Such amounts in this clause (a) shall be payable pursuant to the Administrative Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals to be entered by the Bankruptcy Court (the "Administrative Order"); provided, however, that Blackstone shall seek permission to maintain time records in one-half hour increments.

- (b) For the Investment Banking Services provided by Blackstone, in the event that the Company consummates one or more Transactions, the Company shall pay to Blackstone on the date(s) the Transaction is consummated (provided that, in the event all or any part of the Aggregate Consideration is subject to one or more contingencies, that portion of the Transaction Fee attributable to such Aggregate Consideration shall be subject to such contingencies), without the need for further approval or authorization by the Bankruptcy Court, a Transaction Fee equal to .6% of the Aggregate Consideration (as defined below), less 60% of the total of all advisory fees (calculated on a monthly basis) paid to Blackstone pursuant to Section 2(a) hereof (the "Advisory Fee Credit"). However, if Blackstone reduced its \$125,000 monthly advisory fee in any month, the net advisory fee for that month after accounting for the Advisory Fee Credit will be no less than \$50,000.

"Aggregate Consideration" shall mean, without duplication, the total fair market value of all cash, securities, contractual arrangements (including any lease arrangements or put or call agreements) and other properties paid or to be paid in connection with any Transaction (including, without limitation, amounts paid at closing (as a condition thereto) (1) pursuant to covenants not to compete, management fees, or other similar arrangements entered into as a condition required by the transferee to the closing of the Transaction, and (2) to holders of claims against and interests in the Company (including any warrants, stock purchase rights or convertible securities, options or stock appreciation rights, whether or not vested). Aggregate Consideration shall also include the value of any liabilities (including the principal amount of any indebtedness for borrowed money) repaid, retired, or assumed by the transferee in connection with or anticipation of a Transaction (if such Transaction takes the form of a sale of assets). If the Transaction takes the form of a purchase of substantially all of the assets of the Company, Aggregate Consideration shall also include (i) the value of any current assets not purchased, minus (ii) the value of any current liabilities not assumed. The value of securities that are freely tradeable in an established public market will be determined on the basis of the last market closing price prior to the consummation of any Transaction. The value of securities, lease payments and other consideration that are not freely tradeable or have no established public market, or if the consideration utilized consists of property other than securities, the value of such property, shall be the fair market value thereof as determined in good faith by the Company and Blackstone. The value of any portion of the Aggregate Consideration which is deferred, but not in any way contingent, shall be valued on a net present value basis using an appropriate discount rate as determined in good faith by the Company and Blackstone.

- (c) Without in any way reducing or affecting the provisions of Attachment A affixed hereto, and whether or not any Transaction closes, Blackstone shall be reimbursed in accordance with the Administrative Order for any reasonable out-of-pocket expenses it reasonably incurs in the performance of its services pursuant to this Agreement. Blackstone shall be reimbursed following the submission of an invoice setting forth such reasonable out-of-pocket expenses in reasonable detail in

accordance with the Administrative Order. Out-of-pocket expenses shall include, but not be limited to, travel and lodging, communication charges, research, document processing, courier services, and, with the prior approval of the Company, which approval shall not be unreasonably withheld, reasonable professional fees and disbursements incurred by Blackstone in connection with the execution and delivery hereof, the provision of the advisory services hereunder and/or the consummation of the Transactions contemplated hereby.

- (d) Without limiting paragraph 5 (which provides for, among other things, Blackstone's right to a Transaction Fee beyond the Term of this Agreement), paragraph 2(c) and the timing of payments hereunder, Blackstone shall submit a final fee application to the Bankruptcy Court within sixty (60) days of either the termination of the Company's Chapter 11 proceedings or the termination of Blackstone's engagement hereunder, whichever is earlier.
- 3. Blackstone shall be under no obligation to provide formal valuation or solvency opinions (except to the extent valuation opinions are embodied in testimony) with respect to any of the Chapter 11 proceedings or any transactions contemplated thereby or incidental hereto. However, Blackstone and its affiliates shall be provided the option to do so where such opinions are necessary and are appropriate. The terms of such engagement shall be customary for such services rendered by investment banking firms at the time of the engagement and shall be subject to one or more separate agreements between the Company and Blackstone and shall be subject to Bankruptcy Court approval.
- 4. The Company agrees that Blackstone's compensation set forth herein and payments made pursuant to indemnity and reimbursement provisions of this agreement shall be entitled to priority as part of the Carve-Out (as defined in the Revolving Credit and Guarantee Agreement dated as of January 30, 1997).
- 5. The Board of Directors of the Company or Blackstone can cancel Blackstone's engagement with one month's advance notice in writing. Blackstone will be entitled to its full fees under subparagraph 2(b) hereof in the event that at any time prior to the expiration of twelve months after such termination a Transaction is consummated, or a letter of intent or definitive agreement with respect to a Transaction is executed at any time prior to twelve months after such termination (which letter of intent or definitive agreement subsequently results in the consummation of a Transaction within two years), as to which Blackstone advised the Company hereunder prior to the termination of this Agreement.
- 6. The Company agrees to the provisions of Attachment A affixed hereto and incorporated herein by reference, which provisions together with paragraphs 2 through 11, shall survive the termination of this Agreement.
- 7. In order to coordinate efforts on behalf of the Company, during the period of Blackstone's

engagement, neither the Company nor its management will initiate any discussion looking to a potential Transaction except with the assistance of Blackstone. In the event that the Company or its management receives an inquiry concerning a potential Transaction, they will promptly inform Blackstone of such inquiry, in order that Blackstone can assess such inquiry and assist the Company in any resulting negotiations.

8. The Company will furnish Blackstone with such information as Blackstone and the Company agree is appropriate to enable Blackstone to render services hereunder (all such information being the "Information"). The Company recognizes and confirms that Blackstone (a) will use and rely primarily on the Information and on information available from generally recognized public sources in performing the services contemplated by this Agreement without having assumed any obligation to independently verify the same, (b) does not assume responsibility for the accuracy or completeness of the Information and such other information, and (c) will not act in the official capacity of an appraiser of specific assets of the Company or any other party. The Company confirms that the Information to be furnished by the Company, when delivered, to the best of its knowledge will be true and correct in all material respects and will not contain any material misstatement of fact or omit to state any material fact necessary to make the statements contained therein not misleading. The Company will promptly notify Blackstone if it learns of any material inaccuracy or misstatement in, or material omission from, any Information theretofore delivered to Blackstone. Except as contemplated by the terms hereof or as required by applicable law, Blackstone shall keep confidential all non-public Information and shall not use such information for any purpose other than for performing services for the Company hereunder and shall not disclose such Information to any third party, other than in confidence to such of its directors, officers, employees, counsel and advisors including advisors to the Company's Creditors' Committee (whom Blackstone shall instruct to maintain the confidentiality of such information in accordance with this Agreement) as Blackstone determines to have a need to know in order to render services hereunder.
9. Except as required by applicable law, any advice provided by Blackstone under this Agreement shall not be disclosed publicly or made available to third parties (other than in confidence to the Company's counsel, the Company's Creditors' Committee (including their counsel (and other advisors), Administrative Agent (including its counsel and other advisers), independent auditors, advisors, directors, officers or employees) without the prior written approval of Blackstone.
10. The Company agrees that Blackstone shall have the right after the completion of any Transaction to place advertisements in financial and other newspapers and journals at its own expense describing its services hereunder, provided that Blackstone will submit a copy of any such advertisements to the Company for its prior approval, which approval shall not be unreasonably withheld.
11. (a) This Agreement may not be amended or modified except by a writing executed by

the parties hereto and shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely with such State, and the provisions hereof shall be binding on the Company and Blackstone and their respective successors and assigns. This Agreement may not be assigned by either party without the prior written consent of the other party.

- (b) The relationship of Blackstone to the Company hereunder shall be that of independent contractor, and Blackstone shall have no authority to bind, represent or otherwise act as agent for the Company.

If the foregoing correctly sets forth the understanding and agreement between Blackstone and the Company, please so indicate by signing this letter, whereupon it shall become a binding agreement between the parties hereto (subject to Bankruptcy Court approval, as aforesaid) as of the date of the filing of the Chapter 11 petition.

THE BLACKSTONE GROUP L.P.

By: Arthur B. Newman

Name: Arthur B. Newman

Title: Senior Managing Director

Accepted and Agreed to:

MOBILEMEDIA CORPORATION

By: Joseph A. Bondi

Name: Joseph A. Bondi

Title: Chairman - Restructuring

ATTACHMENT A

February 28, 1997

The Blackstone Group L.P.
345 Park Avenue
New York, NY 10154

INDEMNIFICATION AGREEMENT

This letter will confirm that we have engaged The Blackstone Group L.P. ("Blackstone") to advise and assist us in connection with the matters referred to in our letter agreement dated February 28, 1997 (the "Engagement Letter"). In consideration of your agreement to act on our behalf in connection with such matters, we agree to indemnify and hold harmless you and your affiliates and your and their respective partners (both general and limited), members, officers, directors, employees and agents and each other person, if any, controlling you or any of your affiliates (you and each such other person being an "Indemnified Party") from and against any losses, claims, damages, expenses and liabilities whatsoever, whether they be joint or several, related to, arising out of or in connection with the engagement (the "Engagement") under the Engagement Letter and will reimburse each Indemnified Party for all reasonable expenses (including reasonable fees, expenses and disbursements of counsel) as they are incurred in connection with investigating, preparing, pursuing, defending or assisting in the defense of any action, claim, suit, investigation or proceeding related to, arising out of or in connection with the Engagement or this agreement, whether or not pending or threatened, whether or not any Indemnified Party is a party, whether or not resulting in any liability and whether or not such action, claim, suit, investigation or proceeding is initiated or brought by us. We will not, however, be liable under the foregoing indemnification provision for, and you will reimburse us for any advances made by us to you with respect to, any losses, claims, damages or liabilities (or expenses relating thereto) that are finally judicially determined by a court of competent jurisdiction to have primarily resulted from the bad faith, negligence or willful misconduct of Blackstone (including, without limitation, breach of its confidentiality obligations). We also agree that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to us or our owners, parents, affiliates, security holders or creditors for or in connection with the Engagement except for any such liability for losses, claims, damages or liabilities incurred by us that are finally judicially determined by a court of competent jurisdiction to have primarily resulted from the bad faith, negligence or willful misconduct of Blackstone, (including, without limitation, breach of its confidentiality obligations).

If the indemnification provided for in the preceding paragraph is for any reason unavailable to an Indemnified Party in respect of any losses, claims, damages or liabilities referred to herein, then, in lieu of indemnifying such Indemnified Party hereunder, we shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities (and

expenses relating thereto) (i) in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by you, on the one hand, and us, on the other hand, from the Engagement or (ii) if and only if the allocation provided by clause (i) above is for any reason not available, in such proportion as is appropriate to reflect not only the relative benefits referred to in such clause (i) but also the relative fault of each of you and us, as well as any other relevant equitable considerations; provided, however, to the extent permitted by applicable law, in no event shall your aggregate contribution to the amount paid or payable exceed the aggregate amount of fees actually received by you under the Engagement Letter. For the purposes of this agreement, the relative benefits to us and you of the Engagement shall be deemed to be in the same proportion as (a) the total value paid or contemplated to be paid or received or contemplated to be received by us, our security holders and our creditors in the transaction or transactions that are the subject to the Engagement, whether or not any such transaction is consummated, bears to (b) the fees paid or to be paid to Blackstone under the Engagement Letter.

Neither party to this agreement will, without the prior written consent of the other party (which consent will not be unreasonably withheld), settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought hereunder (a "Judgment"), whether or not we or any Indemnified Party is an actual or potential party to such claim, action, suit or proceeding. In the event that we seek to settle or compromise or consent to the entry of any Judgment, we agree that such settlement, compromise or consent shall include an unconditional release of Blackstone and each other Indemnified Party hereunder from all liability arising out of such claim, action, suit or proceeding.

Promptly after receipt by an Indemnified Party of notice of any complaint or the commencement of any action or proceeding with respect to which indemnification is being sought hereunder, such person will notify us in writing of such complaint or of the commencement of such action or proceeding, but failure to so notify us will not relieve us from any liability which we may have hereunder or otherwise, except to the extent that such failure materially prejudices our rights. If we so elect or are requested by such Indemnified Party, we will assume the defense of such action or proceeding, including the employment of counsel reasonably satisfactory to Blackstone and the payment of the fees and disbursements of such counsel.

In the event, however, such Indemnified Party reasonably determines in its judgment that having common counsel would present such counsel with a conflict of interest or if we fail to assume the defense of the action or proceeding in a timely manner, then such Indemnified Party may employ separate counsel reasonably satisfactory to us to represent or defend it in any such action or proceeding and we will pay the fees and disbursements of such counsel; provided, however, that we will not be required to pay the fees and disbursements of more than one separate counsel for all Indemnified Parties in any such action or proceeding. In any action or proceeding the defense of which we assume, the Indemnified Party will have the right to participate in such litigation and to retain its own counsel at such Indemnified Party's own expense.

The foregoing reimbursement, indemnity and contribution obligations of the Company under this agreement shall be in addition to any rights that an Indemnified Party may have at common law or otherwise, and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Company and such Indemnified Party.

The provisions of this agreement shall apply to the Engagement, as well as any additional engagement of Blackstone by the Company in connection with the matters which are the subject of the Engagement, and any modification of the Engagement or additional engagement and shall remain in full force and effect regardless of any termination or the completion of your services under the Engagement Letter.

This agreement and the Engagement Letter shall be governed by and construed in accordance with the laws of the state of New York applicable to contracts executed in and to be performed in that state.

Very truly yours,

MOBILEMEDIA CORPORATION

By: 

Name: Joseph A. Bondi

Title: Chairman - Restructuring

Accepted and Agreed:

THE BLACKSTONE GROUP L.P.

By: 

Name: Arthur B. Newman

Title: Senior Managing Director

In re:) Chapter 11
)
MobileMedia Communications,) Case No. 97-174 (PJW)
Inc., et al.,)
) (Jointly Administered)
Debtors.)

STATE OF NEW JERSEY)
COUNTY OF BERGEN) ss:

1. I am the Chairman-Restructuring of MobileMedia Corporation ("MobileMedia"), a debtor and debtor in possession and the ultimate parent of the 18 other debtors in the above-captioned cases (collectively, the "Debtors"). I submit this declaration in support of the Debtors' application (the "Application") for an order approving the retention of The Blackstone Group L.P. ("Blackstone") as the Debtors' financial advisor.

-1-

& Marsal, Inc. ("A&M"), a firm that has considerable experience in assisting troubled companies to stabilize their financial position, analyze their operational and financial situation and to develop and implement an appropriate business plan to accomplish needed operational and financial restructuring.

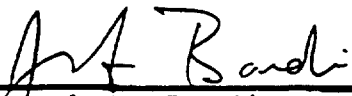
3. Blackstone has been providing services to the Debtors since January 30, 1997. The nature and extent of the services that Blackstone proposes to continue to render to the Debtors are set forth in the engagement letter dated as of February 28, 1997 from Blackstone to MobileMedia, annexed to the Declaration of Arthur B. Newman as Exhibit A.

4. In my opinion, the services of a financial advisor such as Blackstone are necessary for the Debtors successfully to reorganize. I will also monitor the tasks undertaken by the Debtors' professionals to ensure that the Debtors are not billed for duplicative or unnecessary services. Moreover, the Debtors have extensively negotiated the terms of Blackstone's compensation, and I believe that the terms under which the Debtors propose to retain Blackstone are fair and reasonable. It is my opinion that the retention of Blackstone as provided for in the Application is in the best interests of the Debtors and their estates and should be approved.

5. I also believe that nunc pro tunc approval of Blackstone's retention is appropriate. The Debtors have been forced to deal with several emergency matters in the weeks following the Petition Date, including dealing numerous utilities -- the lifeblood of a paging company -- threatening cutoff. Moreover, the Debtors' senior management felt that the terms of

the Blackstone retention should not be finalized until a new Chief Executive Officer -- who was only recently recruited -- was in place. Finally, counsel for both the Debtors' post-petition lenders and the Committee were given an opportunity to review and comment on the Blackstone agreement.

I declare under penalty of perjury that the foregoing is true and correct. Executed on April __, 1997.



Joseph A. Bondi
Chairman-Restructuring
MobileMedia Corporation,
Debtor and Debtor in
Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:)	Chapter 11
)	
MobileMedia Communications,)	Case No. 97-174 (PJW)
Inc., <u>et al.</u> ,)	
)	(Jointly Administered)
Debtors.)	

**ORDER AUTHORIZING NUNC PRO TUNC EMPLOYMENT OF THE BLACKSTONE
GROUP L.P. AS FINANCIAL ADVISOR FOR THE DEBTORS**

Upon the application of MobileMedia Corporation, a Delaware corporation ("MobileMedia"), MobileMedia Communications, Inc., a Delaware corporation ("Communications"), and certain subsidiaries of Communications, each a debtor and debtor-in-possession herein (collectively, the "Debtors"), dated April 4, 1997 (the "Application"), for authorization pursuant to 11 U.S.C. § 328 to retain The Blackstone Group L.P. ("Blackstone") nunc pro tunc as financial advisor to the Debtors; and the engagement letter between Blackstone and MobileMedia, dated as of February 28 (the "Engagement Letter"); and upon the Declaration of Arthur B. Newman, a Senior Managing Director of Blackstone dated April 3, 1997; and upon the Declaration of Joseph A. Bondi, Chairman-Restructuring of the Debtors, dated April 3, 1997; and the Court being satisfied that the employment of Blackstone is necessary and in the best interest of the Debtors, and that Blackstone does not hold or represent any interest adverse to the estate or its creditors with respect to any of the matters as to which it is to

be engaged, as provided in 11 U.S.C. § 328; and notice having been provided to (i) the United States Trustee for the District of Delaware, (ii) counsel for the agent to the Debtors' pre-and post-petition lenders, (iii) counsel for the official committee of unsecured creditors, and (iv) those parties that have filed appearances and requested notice pursuant to Bankruptcy Rule 2002, and it appearing that no other notice need be given; and no adverse interest being represented; after due deliberation, and sufficient cause appearing therefor; it is hereby

ORDERED, that the Debtors are authorized, nunc pro tunc to January 30, 1997, to retain Blackstone to serve as their financial advisor in accordance with the terms and provisions of the Application, the Engagement Letter and the Indemnification Agreement annexed thereto; and it is further

ORDERED, that Blackstone may maintain its time records in half-hour increments; and it is further

ORDERED, that the Debtors are authorized to compensate and reimburse Blackstone, subject to approval of this Court, and to indemnify Blackstone, in each case on the terms set forth in the Engagement Letter and the Indemnity Agreement annexed thereto.

Dated: Wilmington, Delaware
_____, 1997

The Honorable Peter J. Walsh
United States Bankruptcy Court

OFFICE OF THE U.S. TRUSTEE - REGION 3
MONTHLY OPERATING REPORT

For the month ended June 30, 1997

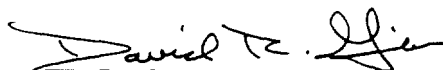
Debtor Name: MobileMedia Corporation et al.

Case Number: 97-174 (PJW)

Required Attachments:	Document Attached	Previously Submitted	Explanation Attached
1. Tax Receipts	()	(X)	(X)
2. Bank Statements	()	()	(X)
3. Most recently filed Income Tax Return	()	(X)	()
4. Most recent Annual Financial Statements prepared by accountant	()	(X)	()

IN ACCORDANCE WITH TITLE 28, SECTION 1746, OF THE UNITED STATES CODE, I DECLARE UNDER PENALTY OF PERJURY THAT I HAVE EXAMINED THE FOLLOWING MONTHLY OPERATING REPORT AND THE ACCOMPANYING ATTACHMENTS AND, TO THE BEST OF MY KNOWLEDGE, THESE DOCUMENTS ARE TRUE, CORRECT AND COMPLETE.

RESPONSIBLE PARTY:



SIGNATURE OF RESPONSIBLE PARTY

Senior Vice President/Chief Financial Officer

TITLE

David R. Gibson

PRINTED NAME OF RESPONSIBLE PARTY

July 29, 1997

DATE

OFFICE OF THE U.S. TRUSTEE - REGION 3

ATTACHMENT

For the month ended June 30, 1997

Debtor Name: MobileMedia Corporation et al.

Case Number: 97-174 (PJW)

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1. Payroll tax filings and payments are made by Automated Data Processing, Inc. (an outside payroll processing company). Evidence of tax payments are available upon request. Previously, the Debtors filed copies of such evidence for the third quarter of 1996 with the US Trustee.

Please see the Status of Post Petition Taxes attached hereto for the month's activity.

2. The Debtors have 63 bank accounts. In order to minimize costs to the estate, the Debtors have included a GAAP basis Statement of Cash Flows in the Monthly Operating Report. The Statement of Cash Flows replaces the listing of cash receipts and disbursements, copies of the bank statements, and bank account reconciliations.

OFFICE OF THE U.S. TRUSTEE - REGION 3
CONDENSED CONSOLIDATED
STATEMENT OF OPERATIONS

For the month ended June 30, 1997

Debtor Name: MobileMedia Corporation et al.

Case Number: 97-174 (PJW)

See Statement of Operations for reporting period attached.

HEADNOTES:

Subsequent to the issuance of the May 31, 1997 Monthly Operating Report, the Company completed the closing of its unaudited financial statements for the year ended December 31, 1996; except for the application of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets, to be Disposed Of" ("SFAS 121"). The following financial statements have not been prepared in accordance with GAAP because SFAS 121 has not been applied. Upon the application of SFAS 121, the Company expects to be required to write down the carrying value of its long-lived assets to their fair value. The Company believes the amount of the write-down would be material; however, it is not possible at this time to determine such amount. There may also be adjustments to certain other accounts as a result of the Debtors' filing for protection under Chapter 11 of the US Bankruptcy Code on January 30, 1997.

(1) The Company has reduced Paging Revenues to reflect the recording of an allowance for estimated disparities between system recorded revenues and cash collections in the amounts of \$2.0, \$2.0 and \$4.0 million in the months of June, May and April, respectively.

(2) Reflects an approximately \$2.5 million adjustment to reduce previously reported depreciation expense as a result of the closing of the unaudited financial statements for the year ended December 31, 1996.

MobileMedia Corporation and Subsidiaries
Consolidated Statements of Operations
For the Months Ended June 30, 1997, May 31, 1997 and April 30, 1997
(Unaudited)
(in thousands)

	June 1997	May 1997	April 1997
Paging Revenues			
Service, Rents & Maintenance (1)	\$40,987	\$43,599	\$42,597
Equipment Sales			
Product Sales	2,650	2,039	2,930
Cost of Products Sold	2,634	2,011	2,515
Equipment Margin	16	28	415
Net Revenue	41,003	43,627	43,011
Operating Expense			
Service, Rents & Maintenance	12,413	14,154	12,284
Selling	5,537	6,110	5,971
General Administration	15,213	15,518	17,458
Operating Expense Before Depr. & Amort.	33,163	35,781	35,713
EBITDA Before Reorganization Costs	7,840	7,845	7,298
Reorganization Costs	2,281	1,473	1,891
EBITDA after Reorganization Costs	5,559	6,372	5,408
Depreciation	9,292	8,705	8,498 (2)
Amortization	9,232	9,232	9,232
Total Depreciation and Amortization	18,523	17,938	17,731
Operating Loss	(12,964)	(11,566)	(12,323)
Interest Expense	4,957	5,277	5,056
Other Expense	0	0	0
Loss Before Income Tax Benefit	(17,921)	(16,843)	(17,378)
Income Tax Benefit	0	0	0
Net Loss	(17,921)	(16,843)	(17,378)

See Accompanying Notes.

OFFICE OF THE U.S. TRUSTEE - REGION 3
CONDENSED CONSOLIDATED BALANCE SHEET

For the month ended June 30, 1997

Debtor Name: MobileMedia Corporation et al.

Case Number: 97-174 (PJW)

See balance sheet attached.

Subsequent to the issuance of the May 31, 1997 Monthly Operating Report, the Company completed the closing of its unaudited financial statements for the year ended December 31, 1996; except for the application of statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets, to be Disposed Of" ("SFAS 121"). The following financial statements have not been prepared in accordance with GAAP because SFAS 121 has not been applied. Upon the application of SFAS 121, the Company expects to be required to write down the carrying value of its long-lived assets to their fair value. The Company believes the amount of the write-down would be material; however, it is not possible at this time to determine such amount. There may also be adjustments to certain other accounts as a result of the Debtor's filing for protection under Chapter 11 of the US Bankruptcy Code on January 30, 1997

(1) Reflect certain adjustments to previously reported balance sheet accounts as a result of the closing of the unaudited financial statements for the year ended December 31, 1996.

MobileMedia Corporation and Subsidiaries
Consolidated Balance Sheets
As of June 30, 1997, May 31, 1997 and April 30, 1997
(Unaudited)
(in thousands)

	June 30 1997	May 31 1997 (1)	April 30 1997 (1)
Assets:			
Current Assets:			
Cash	\$4,059	\$3,425	\$8,799
Accounts Receivable, Net	60,834	60,186	60,871
Inventory	6,576	9,090	10,535
Prepaid Expenses	1,130	1,108	1,287
Other Current Assets	2,755	2,616	2,795
Total Current Assets	75,353	76,425	84,287
Noncurrent Assets:			
Property and Equipment, Net	296,429	298,041	303,966
Deferred Financing Fees, Net	26,261	26,815	27,369
Investment In Net Assets Of Equity Affiliate	2,001	1,978	1,950
Intangible Assets, Net	1,063,963	1,072,966	1,082,264
Other Assets	919	933	878
Total Noncurrent Assets	1,389,574	1,400,732	1,416,428
Total Assets	\$1,464,927	\$1,477,158	\$1,500,715
Liabilities and Stockholders' Equity:			
Liabilities Not Subject to Compromise:			
DIP Credit Facility	\$15,000	\$15,000	\$15,000
Accrued Reorganization Costs	5,871	4,162	3,410
Accrued Wages, Benefits and Payroll Taxes	6,313	5,380	7,022
Accounts Payable - Post Petition	9,266	8,173	5,236
Accrued Interest (Chase & DIP Facilities)	4,465	4,464	4,249
Accrued Expenses and Other Current Liabilities	35,063	34,282	38,639
Advance Billings and Customer Deposits	37,331	36,514	39,063
Total Liabilities Not Subject To Compromise	113,309	107,975	112,620
Liabilities Subject to Compromise:			
Accrued Wages, Benefits and Payroll Taxes	6,420	6,953	9,744
Chase Credit Facility	649,000	649,000	649,000
Notes Payable - 10 1/2%	174,125	174,125	174,125
Notes Payable - 9 3/8%	250,000	250,000	250,000
Notes Payable - Yampol	986	986	986
Notes Payable - Dial Page 12 1/4%	1,570	1,570	1,570
Accrued Interest On Notes Payable	20,761	20,761	20,759
Accounts Payable- Pre Petition	16,062	13,956	12,974
Accrued Expenses and Other Current Liabilities - Pre Petition	18,955	20,128	20,348
Other Liabilities	5,056	5,099	5,142
Total Liabilities Subject To Compromise	1,142,936	1,142,579	1,144,648
Deferred Tax Liability	72,097	72,097	72,097
Stockholders' Equity			
Class A Common Stock	39	39	39
Class B Common Stock	2	2	2
Additional Paid-In Capital	671,459	671,459	671,459
Accumulated Deficit - Pre Petition	(437,127)	(437,127)	(437,127)
Accumulated Deficit - Post Petition	(91,665)	(73,744)	(56,901)
Total Stockholders' Equity	142,709	160,630	177,473
Less:			
Treasury Stock	(6,123)	(6,123)	(6,123)
Total Stockholders' Equity	136,586	154,507	171,350
Total Liabilities and Stockholders' Equity	\$1,464,927	\$1,477,158	\$1,500,715

See Accompanying Notes

Footnotes to the Financial Statements:

1. Subsequent to the issuance of the May 31, 1997 Monthly Operating Report, the Company completed the closing of its unaudited financial statements for the year ended December 31, 1996; except for the application of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets, to be Disposed Of" ("SFAS 121"). The financial statements herein have not been prepared in accordance with GAAP because SFAS 121 has not been applied. The closing of the unaudited December 31, 1996 financial statements led to adjustments to previously reported May and April amounts in the Consolidated Statements of Operations (depreciation expense), Balance Sheets and Cash Flows as described in the Headnotes. There may also be adjustments to certain other accounts as a result of the Debtor's filing for protection under Chapter 11 of the US Bankruptcy Code on January 30, 1997.

In March 1995, the Financial Accounting Standards Board issued SFAS 121, which is effective for financial statements for fiscal years beginning after December 15, 1995. Under certain circumstances, SFAS 121 requires companies to write down the carrying value of long-lived assets recorded in the financial statements to the fair value of such assets. A significant amount of the assets of the Company, which were acquired as a result of the acquisitions of businesses, including the Dial Page and MobileComm acquisitions, were recorded in accordance with principles of purchase accounting at acquisition prices and constitute long-lived assets. The Company has determined, and its independent auditors have concurred, that SFAS 121 is applicable to the Company, and therefore the Company expects to be required to write down the carrying value of its long-lived assets to their fair value. The Company believes the amount of the write down will be material; however, it is not possible at this time to determine such amount. Since the Company cannot comply with SFAS 121 at this time, it is unable to issue audited financial statements in compliance with generally accepted accounting principles. Consequently, the Company will not file its Report on Form 10-K or its other periodic reports under the Securities Exchange Act of 1934, as amended.

Footnotes to the Financial Statements (continued):

2. On January 30, 1997 (the "Filing Date"), MobileMedia Corporation (the "Company"), MobileMedia Communications, Inc. ("MobileMedia Communications") and all seventeen of MobileMedia Communications' subsidiaries filed for protection under Chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtors are operating as debtors-in-possession and are subject to the jurisdiction of the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court").

The Court has authorized the debtors to pay certain pre-petition creditors. These permitted pre-petition payments include: (i) employee salary and wages; (ii) certain employee benefits and travel expenses; (iii) certain amounts owing to essential vendors; (iv) trust fund type sales and use taxes; (v) trust fund payroll taxes; (vi) customer refunds; and (vii) customer rewards.

3. Since the Filing Date, the Debtors have continued to manage their business as debtors-in-possession under sections 1107 and 1108 of the Bankruptcy Code. During the pendency of the Chapter 11 cases, the Bankruptcy Court has jurisdiction over the assets and affairs of the Debtors, and their continued operations are subject to the Bankruptcy Court's protection and supervision. The Debtors have sought, obtained, and are in the process of applying for, various orders from the Bankruptcy Court intended to stabilize and reorganize their business and minimize any disruption caused by the Chapter 11 cases.
4. The company has reduced Paging Revenues to reflect the recording of an allowance for estimated disparities between system recorded revenues and cash collections in the amounts of \$2.0, \$2.0 and \$4.0 million for the months of June, May and April, respectively.
5. During the month of February 1997, the Debtors drew down \$45 million of borrowings under the debtor-in-possession financing facility (the "DIP facility") with The Chase Manhattan Bank, as agent for the lenders thereunder (the "DIP Lenders"). During the months of March and April 1997, the Debtors repaid \$25 million and \$5 million, respectively, of borrowings under the DIP facility.
6. The Company is the second largest paging company in the U.S., with approximately 4.0 million units in service at June 30, 1997, and offers local, regional and national paging services to its subscribers. The Company is reviewing its units in service to determine the number of units for which payment is delinquent, which require removal from its billing system. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. The Company's business is conducted primarily through the Company's principal operating subsidiary, MobileMedia Communications, and its subsidiaries. The Company markets its services primarily under the "MobileComm" brand name. All significant intercompany accounts and transactions have been eliminated.

Footnotes to the Financial Statements (continued):

7. As previously announced in its September 27, 1996 and October 21, 1996 releases, the Company discovered misrepresentations and other violations which occurred during the licensing process for as many as 400 to 500, or approximately 6% to 7%, of its approximately 8,000 local transmission one-way paging stations. The Company caused an investigation to be conducted by its outside counsel, and a comprehensive report regarding these matters was provided to the Federal Communications Commission (the "FCC") in the fall of 1996. In cooperation with the FCC, outside counsel's investigation was expanded to examine all of the Company's paging licenses, and the results of that investigation were submitted to the FCC on November 8, 1996. As part of the cooperative process, the Company also proposed to the FCC that a Consent Order be entered which would result, among other things, in the return of certain local paging authorizations then held by the Company, the dismissal of certain pending applications for paging authorizations, and the voluntary acceptance of a substantial monetary forfeiture.

On January 13, 1997, the FCC issued a Public Notice relating to the status of certain FCC authorizations held by the Company. Pursuant to the Public Notice, the FCC announced that it had (i) automatically terminated approximately 185 authorizations for paging facilities that were not constructed by the expiration date of their construction permits and remained unconstructed, (ii) dismissed approximately 94 applications for fill-in sites around existing paging stations (which had been filed under the so-called "40-mile rule") as defective because they were predicated upon unconstructed facilities and (iii) automatically terminated approximately 99 other authorizations for paging facilities that were constructed after the expiration date of their construction permits. With respect to the approximately 99 authorizations where the underlying station was untimely constructed, the FCC granted the Company interim operating authority subject to further action by the FCC.

On April 8, 1997, the FCC adopted an order commencing an administrative hearing into the qualification of the Company to remain a licensee. The order directed an Administrative Law Judge to take evidence and develop a full factual record on directed issues concerning the Company's filing of false forms and applications. The Company was permitted to operate its licensed facilities and provide service to the public during the pendency of the hearing. The FCC's order initiated a fact-finding and evaluative hearing process to gather information with which to make a decision, but would not be a final disposition of the FCC's action. On April 23, 1997, the Company filed a motion with the FCC seeking a stay of the hearing proceeding instituted by the FCC order adopted April 8, 1997. On May 2, 1997 the Administrative Law Judge denied the Company's motion to stay the hearing from which decision the company sought an appeal.

Footnotes to the Financial Statements (continued):

On June 6, 1997, the FCC issued an order staying the hearing proceeding for ten months in order to allow the Company to develop and consummate a plan of reorganization that provides for a change of control of the Company and a permissible transfer of the Company's FCC licenses. The order, which is based on an FCC doctrine known as *Second Thursday*, provides that if there is a change of control that meets the conditions of *Second Thursday*, the Company's FCC issues will be resolved by the transfer of the Company's FCC licenses to the new owners of the company and the hearing will not proceed. The Company believes that a reorganization plan that provides for either a conversion of certain existing debt to equity, in which case existing MobileMedia shares will be substantially diluted or eliminated, or a sale of the Company will result in a change of control. There can be no assurance that the Company will be successful in consummating a plan of reorganization meeting the requirements of the order. In the event that the Company were unable to do so, the Company would be required to proceed with the hearing, which, if adversely determined, could result in the loss of the Company's licenses or substantial monetary fines, or both. Such an outcome would have a material adverse effect on the Company's financial condition and results of operations.